

RESEARCH DIVISION

Nguyen Thi My Lien
Manager
liennguyen@phs.vn

Bui Thi Quynh Nga
Senior analyst
ngabui@phs.vn

A Volatile Global Economic and Financial Environment

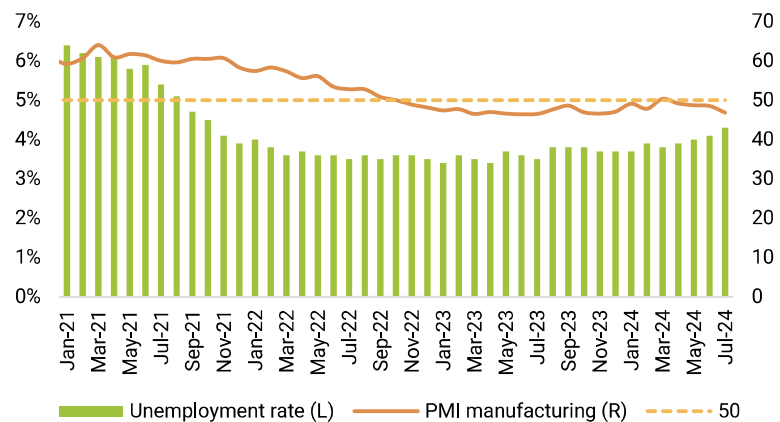
- The State Bank of Vietnam (SBV) officially cut the open market operation (OMO) rate from 4.50% to 4.25% today, August 5, 2024, along with cutting the SBV Bill rate to 4.25%. It indicates that (1) SBV is confident in controlling exchange rates and (2) SBV is ready to implement monetary policies to support the economy when there is an opportunity. Global market developments are supporting SBV's decisions as the DXY falls sharply and the Fed is likely to aggressively cut rates.
- Global market developments are supporting SBV's decisions as the DXY falls sharply and the Fed is likely to aggressively cut rates.
- Government and SBV policies will be strongly promoted in the upcoming period as the global economy is expected to face many challenges, particularly in public investment and credit.
- Despite facing significant pressure in the short term, we believe that the economy and businesses will improve in the second half of the year, helping the market and listed companies achieve more attractive valuations.

Market Context

We noticed some of the following points:

- (1) Economic Data in the US: Recent economic data from the US is extremely disappointing. Over the weekend, the US released figures on unemployment rates and manufacturing PMI, indicating a rapid weakening in the labor market and the economy of the world's largest economy. Notably, the market fears these figures are triggering the possibility that the US has entered a recession as the Sahm rule has been violated. Additionally, a series of disappointing earnings reports were announced, with notable examples being Intel, Tesla, and McDonald's.

Figure 1: US economy.



Sources: Bloomberg, PHS compiled

- (2) Geopolitical Developments: Geopolitical developments are becoming more unpredictable. The Middle Eastern battlefield has become tenser as the Russia-Ukraine conflict shows signs of de-escalation. Following Israel's attack on a Hamas leader in Iran,